



Senate Health and Human Services Committee  
DHS Behavioral Health Grants  
February 26, 2026

Shireen Gandhi | Commissioner DHS

# Strong internal controls are critical

## Strong internal controls and processes for behavioral health grants are critical to:

- Protect taxpayer dollars
- Ensure the effective use of funds to promote positive behavioral health outcomes
- Empower people and families to engage in treatment and recovery



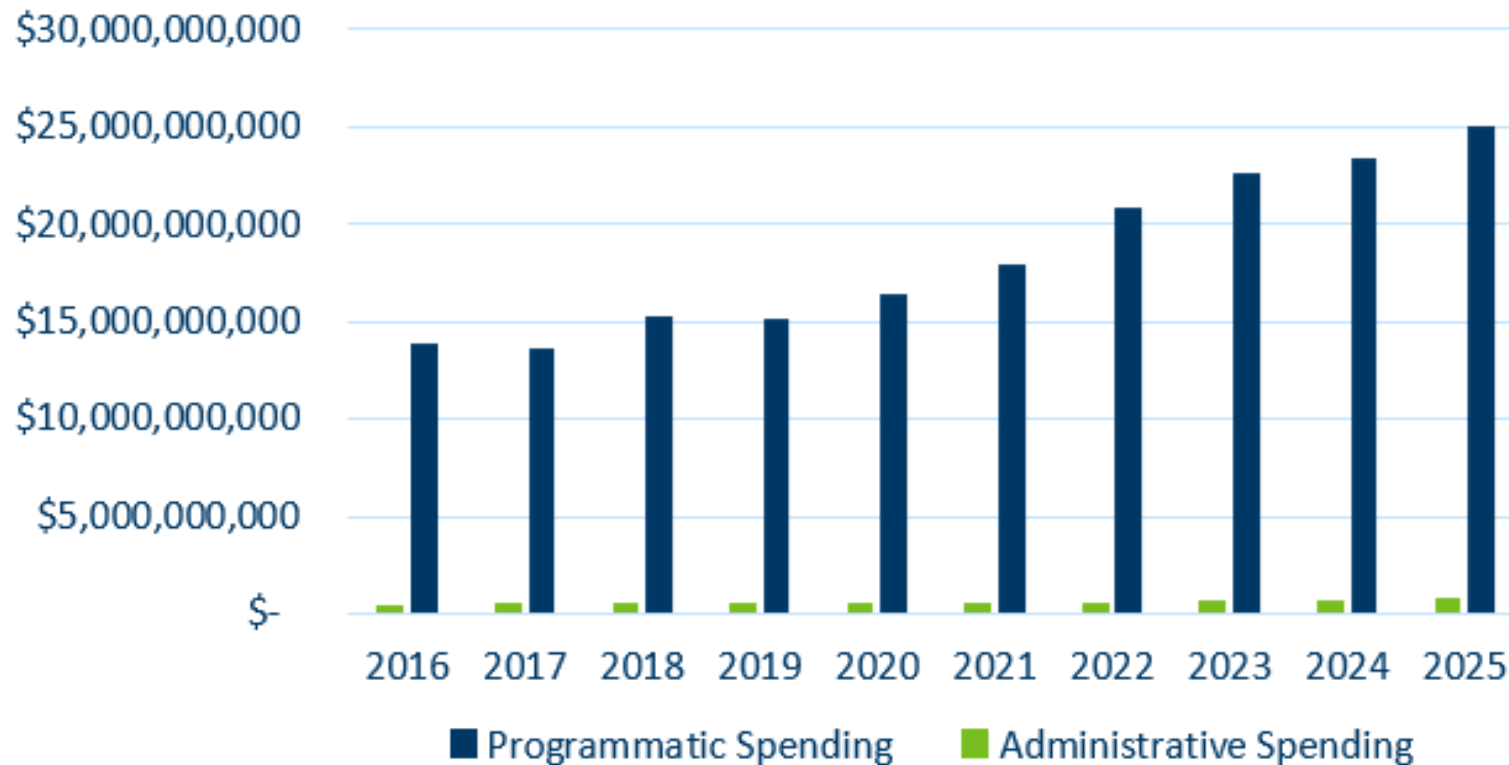
# Audit Timing

- The auditor's report covers July 1, 2022, through December 31, 2024.
- DHS was in the process of implementing systems improvements and corrective actions in response to the findings of a previous OLA report on the Behavioral Health Administration's grants award process released in April 2024. The earlier report focused on grants from July 1, 2022, through June 30, 2023, which overlaps with the time-period for today's report.
- As expected, due to this overlap, many of the improvements and systemic changes DHS has been working to put in place were developed, and in the early stages of implementation, during this audit.



# Administrative Resources Are Key to Supporting Strong Internal Controls

## Changes in Programmatic & Administrative Spending



DHS is operating with an administrative budget that is **2% to 3%**. This includes all FTEs and systems costs across all DHS programs.

Administrative appropriations are separate from programmatic appropriations and **do not keep pace with programmatic growth**.

- From fiscal year 2020 to 2025:
- Grant dollars increased by **80%**

# "Roadmap to Program Integrity" recommendations

On 12/12/25, Governor Walz announced **Tim O'Malley** as *Director of Program Integrity*

- 2/23/2026 O'Malley released his report titled "*Roadmap to Program Integrity and Fraud Prevention*"
- Director O'Malley made a series of recommendations, including:
  - Bills establishing or modifying a program must include a fraud-prevention component and funding
  - No direct appropriations, which present higher risk for fraud
  - All grant applicants must describe their own integrity matrix commitment in the application
  - No grants without dedicated administrative and fraud-prevention funding (for example, 5% for single-source grants, 10% for requests for proposals)

**"Minnesota's statutes and appropriations and legislator's actions  
*must support a modern fraud-prevention infrastructure*".**



# Resolved BHA Grant Audit Findings

## Requests for Proposals (RFPs)

- The 2026 OLA audit reviewed BHA's RFP process, testing a sample of 14 out of 36 requests for proposals (7 judgmental and 7 random samples) to assess compliance with Office of Grants Management (OGM) policy. The auditors found no significant issues.

## Conflict of Interest - RFP Reviewers - *How BHA Resolved This*

- Implemented a pre-workflow checklist to help grant managers ensure all required documentation—including conflict of interest forms—is uploaded in CIS before contract work begins.
- Established an internal control requiring the contract specialist to review all pre-award documentation and confirm it is complete before initiating any contract work.

## RFP Language - Required Elements – *How BHA Resolved This*

- BHA now uses only the RFP template approved by Contracts and Legal Compliance (CLC), and all RFPs are reviewed by CLC prior to publishing.
- BHA provides internal training reinforcing the importance of including all required elements and continues to monitor RFPs for compliance.

# Resolved BHA Grant Audit Findings

## **RFP Scoring - How BHA Resolved This:**

- Reviewed RFP standard operating procedures, created checklists, and developed training on updated procedures and forms, including verification that score sheets align with RFP language.
- Continues to provide targeted training on rating criteria for competitive grant review and proposal selection processes.

## **Advance Payments to Grantees - How BHA Resolved This:**

- Implemented a “Pre-Workflow Checklist” to guide Grant Managers and Contract Specialists through required steps prior to initiating payments.
- Developed a standardized “Request for Contract Advance for BHA Grantees” form to document grantee financial stability, justify advance payment needs, obtain required approvals, and ensure consistent oversight.
- Provides comprehensive training on grant payments and financial management, emphasizing collaboration with Legal and Financial Operations divisions for advance payment requests.

# Additional Completed Supportive Actions in Response to 2024 Audit

- BHA established quality control measures requiring all RFP documentation be uploaded into CIS before any contract work can begin.
- BHA partnered with the Central Grants Office, Contracts and Legal Compliance, and the Financial Operations Division to create and launch an extensive training program for grant managers.
- BHA created and deployed standardized tools and templates to help grant managers maintain compliance with all requirements.
- In 2024, BHA implemented a leadership restructuring to better manage their complex service delivery needs and add leadership capacity, which has improved consistency and performance across services.



## **In addition to the changes DHS is implementing, there are several key themes that DHS is addressing:**

- Streamlining grant management processes and reducing the potential of conflicts of interest, fraud, waste and abuse in the grant making process through the development of standardized business processes and clear roles and responsibilities.
- Increasing and improving oversight and supervision of grant managers to ensure compliance with all Office of Grants Management and DHS requirements.
- Establishing stronger internal controls to ensure progress reports are received and reviewed before payments are issued.
- Adding internal controls to ensure invoices are validated and authorized prior to payment disbursement.
- Strengthening oversight to verify that monitoring visits are conducted and appropriately documented, and that grant closeout reports are completed within the required timeframes.

# DHS agencywide grants standardization

## Continuous Improvement Project Started May 2025

- Purpose-To address audit findings, streamline grant management processes and reduce the potential of conflicts of interest, fraud, waste and abuse in the grant making process through a standardized business process and clear roles and responsibilities.
- This will be achieved through the creation of DHS Agency Wide:
  - process standards and policy alignment for grants
  - grant compliance expectations, including monitoring and controls
  - grant management separation of duties
  - alignment of grants staff to statewide job classification standards

# Corrective Action Plan for BHA Audit Report

- 1. Develop and implement standardized grant policies, procedures, and internal controls to ensure compliance with state, federal, and agency requirements.**
- 2. Establish and strengthen internal controls and oversight mechanisms across the full grant lifecycle: including Pre-award; Grant management and monitoring; and Grant Closeout**
  - BHA leadership monitors compliance with grant and contract requirements through reports generated from the Contract Integration System.
  - Weekly reports are pulled for past due and upcoming progress reports, monitoring visits, and close out evaluations and are sent to BHA leadership.
- 3. Increase consistency, transparency, and accountability in grant processes across the agency by:**
  - Developing and implementing on-demand training for staff and leadership on progress reporting, and grantee performance evaluation
  - Enhancing reporting tools and the Contracts Integration System (CIS) to support oversight, accurate tracking, documentation, and timely reporting of grant compliance requirements
  - Strengthening leadership and staff awareness and accountability
  - Ensuring Contracts Integration System (CIS) data is accurate, timely, and consistent

# Additional DHS Commitments

## Required training for DHS grant staff

### OGM Grant Training

- 99.7% Completion rate for Introduction to Grant Administration as of 2/11/26
- Actively tracking staff to ensure completion of the Fraud Awareness training due 6/30/26

### DHS Grant and Contract training 99.7% completion rate as of 2/11/26

- Introduction to the Contracts Integration System (CIS)
- Contracts Integration System (CIS) Workflow Overview
- Pre-Award Risk Assessment (PARA)
- Financial Reconciliation
- Grant Monitoring Visits
- Insurance in Contracting Basics
- 16a/C Violations in Contracts
- Federal Funding in State Grants and Contracts



***BHA training completion rate stands at 100%***

# Additional DHS Commitments

## Make Grant Contracts Available on a Public Website

- Made a list of all current DHS grant contracts available by February 4.-[Active grant contracts / Minnesota Department of Human Services](#)
- Over the next two months, DHS will be working towards having the actual grant contracts available on that same page.
- Goal by end of March: DHS will have all of those and be updating on a monthly/quarterly basis to add new grant contracts

## Active grant contracts

The Minnesota Department of Human Services strives for transparency in how it uses state and federal funds to improve the lives of Minnesotans. The list below, which is updated monthly, includes the department's active grant contracts as of the date indicated. The list is searchable and sortable.

*The Minnesota Department of Human Services makes every effort to have its website meet the [state of Minnesota technology accessibility policies standards](#). For formats of this information or assistance with additional equal access to human services, email us at [dhs.info@state.mn.us](mailto:dhs.info@state.mn.us), call 651-431-2000, or use your preferred relay service. ADA1 (3-24)*

UPDATED: January 14, 2026

Vendor	Contract No.	Contract start da...	Contract end date
▶ 180 DEGREES INC	233100	2023-07-01	2027-06-30
▶ 180 DEGREES INC	230960	2023-07-01	2027-06-30
▶ 180 DEGREES INC	230851	2023-07-01	2027-06-30
▶ 180 DEGREES INC	273228	2025-07-15	2027-06-30
▶ 2NDCHANCEPROJECT	279315	2025-11-01	2027-06-30
▶ 6095 52 AUSTIN ALBERT LEA AREA	281014	2025-12-16	2026-06-30
▶ A HOME FOR THE DAY LLC	260167	2024-12-01	2026-06-30
▶ A PLACE FOR YOU	242127	2023-07-01	2028-06-30
▶ A PLACE FOR YOU	234870	2023-07-01	2027-06-30

# Documentation Investigation

## Documentation Investigation Summary

- 12/18: OLA notifies DHS that there are potential documentation issues, including possible document falsification and/or backdating at its internal exit conference on the BHA audit.
- 12/18: *Early evening* - The DHS Commissioner and Chief Compliance Officer met with OLA to get immediate additional details about the issues.
- 12/19: The Compliance Office, working with its Digital Forensics lab, begins the process of identifying and pulling data related to the BHA documentation investigation.
- 12/23: Secure investigative resources.
- 12/24: Develop investigation plan.
  - Phase 1-Interview/investigate staff who were specifically identified as having possibly created/falsified or backdated records.
  - Phase 2- Review supporting documentation for staff who uploaded grant reports to the CIS after the OLA data request came in.

# Documentation Investigation

## Phase 1

- 12/24 - 1/22: Investigators conduct subject matter interviews to understand the grant oversight requirements/policies and CIS database and metadata. They also review all emails, home drives and other data collected by the Digital Forensics lab.
- 1/28 - 2/4: Investigators interview initial subjects.
- 2/20: Final Investigation Reports for Phase 1 delivered to DHS HR.
- Week of 2/23: Review reports with HR to discuss and take action.

## Phase 2

- OICA/Digital Forensics lab is reviewing records for the other staff to see whether documents were created after the request or simply uploaded to the CIS after the request.

# Thank you

Shireen Gandhi, Commissioner